



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 14, 2005

The Honorable John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
U.S. House of Representatives
2322 Rayburn House Office Building
Washington, DC 20515

Re: GAO Report on SEC and CFTC Penalties

Dear John:

Thank you for your October 3rd letter regarding the August 31, 2005, report, SEC and CFTC Penalties: Continued Progress Made in Collection Efforts, but Greater SEC Management Attention Is Needed, GAO-05-670. The report discusses the Securities and Exchange Commission's efforts and progress in the tracking and management of penalties and disgorgement collection, including taking actions that addressed five of eight open recommendations from previous studies. The report also makes several recommendations for improvement. In addition, the report evaluates the Commission's implementation of the Fair Fund provision of the Sarbanes-Oxley Act of 2002 and recommends that the Commission establish procedures for the collection and aggregation of Fair Funds data to assist in the monitoring and managing of the distribution of monies to harmed investors on a timely and complete basis.

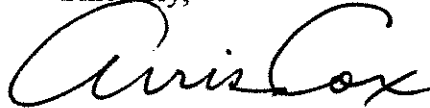
Thank you for acknowledging the Commission's recent efforts. Since I arrived just 90 days ago, I have focused intently on fixing the problems with our collection program. I wholeheartedly agree with the findings in the GAO report, and the GAO's recommendations. I have made it a top priority to implement these recommendations. Doing so is a necessary adjunct to achieving the SEC's goal of deterring securities law violations and returning funds to harmed investors.

As outlined in the SEC's comments included in Appendix III of the report, the agency had already begun to take steps to address the GAO's recommendations before I arrived in August. As of this writing, we are developing reports that will allow us to monitor the Commission's collections program nationwide. We are preparing additional training programs for our staff. And we are updating our existing case tracking system (CATS) to include financial data, which will directly aid in our collection tracking efforts.

Like you, I was a conferee who strongly supported the Fair Funds provision, and I too was unhappy to learn that it has not been implemented as we intended. I am attacking this problem head on. Congress gave the SEC a powerful tool with this provision, and we should use it to the fullest extent for the protection of investors. The process of returning money to injured investors has, in my view, been rendered needlessly complex. While there are in fact serious analytical issues that must be addressed in any Fair Funds distribution, especially where both the fund and number of investors are large, it is critical that the distributions be done expeditiously. I also agree with the report's recommendation that the SEC establish a procedure for collecting Fair Funds data to assist us in monitoring and managing money distributed to investors. The agency is now working diligently to develop these systems.

If we can be of any further assistance, please call Linda Thomsen, Director of the Division of Enforcement, at (202) 551-4894 or Joan McKown, Chief Counsel of the Division of Enforcement, at (202) 551-4933.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Cox", written in a cursive style.

Christopher Cox
Chairman

cc: The Honorable David M. Walker
Comptroller General
U.S. Government Accountability Office